

TELEPRINTER RESELLER STUDY

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TELEPRINTER RESELLER STUDY

Prepared For:

INTERNATIONAL BUSINESS MACHINES CORPORATION

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# TELEPRINTER RESELLER STUDY

## ABSTRACT

INPUT conducted a survey by interviewing manufacturers of ASR, KSR and RO teleprinter terminals to determine the contract terms and conditions under which they sold these terminals to resellers and end users.

A corollary set of interviews was done on the same topic areas with resellers to confirm the findings.

Parameters surveyed included size of reseller operation, end user applications, services provided, purchasing habits, inventory levels, future market applications, supplier contract terms and conditions, sales activity, reseller performance, mode of end user purchases, and volume/pricing structures.

# TELEPRINTER RESELLER STUDY

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## I INTRODUCTION



## I INTRODUCTION

### A. PURPOSE AND SCOPE

- This report was prepared by INPUT as a custom study for the IBM System Products Division located in Endicott, New York.
- The purpose of this study is to investigate the contract terms and conditions under which manufacturers of teleprinter terminals sell their product to resellers and end users.
- A corollary set of interviews was conducted with resellers on the same topic areas to confirm the findings.
- During the program interviews, IBM was not identified as the study sponsor.
- In general, manufacturer and reseller respondents were helpful and cooperative during the telephone interviews. However, a significant number of reseller respondents expressed some level of antagonism against one or two large teleprinter manufacturers (not IBM) because of their operating policies and contract terms and conditions with their resellers. Many of the interviews were with the company's President, Vice President of Marketing or Director of OEM Sales.
- Topics surveyed included:

- Size of operation.
- End user applications.
- Inventory levels.
- Purchasing habits.
- Supplier contract terms and conditions.
- Future market applications.
- Product characteristics to meet future market needs.
- Volume/pricing/discount structures.
- Maintenance policies.
- Parts discounts.
- Reseller performance.
- Sales activity.
- Mode of end user purchases.

## B. RESEARCH METHODOLOGY

- INPUT developed a separate questionnaire for the manufacturer and the reseller interviews in a joint meeting with the Product Planning and Market Research staff of IBM at INPUT's facilities in Saddle Brook, New Jersey.

- Both questionnaires were modified several times by IBM's legal department before interviews proceeded in earnest.
- Twenty-four telephone interviews were conducted in total.
- Three different groups of respondents were surveyed:
  - Eight interviews with teleprinter manufacturers.
  - Eight interviews with distributors of teleprinters.
  - Eight interviews with companies that lease teleprinters.
- Exhibit I-1 provides a description of the three different groups of respondents.
- In general, respondent numbers were deleted from the findings to guarantee the anonymity of the respondents.
- The average telephone interview lasted 20 minutes for manufacturers and over 30 minutes for resellers.
- A final oral presentation of the findings was made on July 15, 1980, at IBM's facilities in Harrison, New York.

SURVEY SAMPLE

MANUFACTURERS

- INPUT SUCCESSFULLY COMPLETED INTERVIEWS WITH FIVE OUT OF THE EIGHT MANUFACTURERS SPECIFIED BY IBM.
- THE OTHER THREE TELEPRINTER MANUFACTURERS SURVEYED WERE NATIONAL ORGANIZATIONS SELECTED BY INPUT.

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EXHIBIT I-1 (CONT.)

SURVEY SAMPLE

DISTRIBUTORS

INPUT SUCCESSFULLY INTERVIEWED:

- TWO OF THE TOP 25 NATIONAL DISTRIBUTORS.
- FOUR INTERMEDIATE-SIZED NATIONAL DISTRIBUTORS.
- TWO SMALL, LOCAL/REGIONAL DISTRIBUTORS.

LEASING COMPANIES

- ALL EIGHT LEASING COMPANIES SUCCESSFULLY INTERVIEWED WERE VERY LARGE NATIONAL FIRMS.

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## II EXECUTIVE SUMMARY



## II EXECUTIVE SUMMARY

### A. MAJOR FINDINGS AND CONCLUSIONS

- The reseller plays a vital role in the successful sales and distribution of teleprinter terminals to end users.
- Respondent resellers (and to some degree, manufacturers) believe that the contract of terms and conditions between manufacturer and reseller is only as good as the intent and desires of both parties to make the business relationship work.
- The most important contract term and condition for both manufacturers and resellers is the number of teleprinter terminals a reseller commits to sell over each 12-month period. This number, more than anything else, determines the nature and profitability of the working relationship between manufacturer and reseller.
- Respondent manufacturers generally expressed their frustrations by enforcing contract terms and conditions with resellers. In cases where enforcement was necessary, manufacturers felt that they lost more in their long-term interests in cultivating resellers and profiting from this market channel.
- Respondent manufacturers appeared more supportive than punitive in their attempts to improve the performance of resellers.

- Respondent resellers tended to express their frustrations arising out of manufacturers' contract terms and conditions in an antagonistic and sarcastic manner.
- Respondent resellers disliked the pressures generated by manufacturers over the course of a contract year in their attempt to make each reseller meet its annual contract commitment to purchase and sell a stipulated number of teleprinter terminals.
  - They indicate that these pressures destroy market price integrity, eventually causing larger resellers to compete with teleprinter manufacturers in their sales to other resellers. The "second-tier" market that results is destructive to all parties concerned and eventually undermines any benefits forthcoming from working with resellers.
- Resellers do not see themselves able to stimulate or control market demand. They rely very heavily on manufacturers to provide this impetus through advertising and other forms of promotion.
- Practical teleprinter volume/discount schedules range from 25% to 40% discounts for a sales volume of 25 to 500 units sold each year.
- Exceeding the 40%/500-unit level is usually not in the best interests of the reseller or the manufacturer. Resellers are not usually compensated with much higher discounts beyond that level.
- Resellers have a rather broad spectrum of parameters from which to generate their real profit margins. They can come from:
  - Discounts on volume purchases from the manufacturer.
  - Prompt performance bonus for paying their bills on time and meeting all other contract terms and conditions with the manufacturer.

- Parts discounts, especially if the reseller is willing to stock a significantly large inventory level.
  - Declining manufacturer's warranty to reseller or end user, which sometimes qualifies a reseller for additional discounts.
  - Market price above or below suggested list price to end user, which gives wider margins to reseller.
  - Discounts to end user for larger orders.
  - Sales to other resellers and OEM system houses, which give a reseller additional sales and margin opportunities.
- Respondent resellers fear a proliferation of other authorized distributors or dealers of the same equipment in their area, as well as the new move by manufacturers to the "vendor store" concept.
  - They expressed a great desire for more dialogue and communication with the manufacturer, so that both parties might better understand each other's needs, and greater participation in product development and planning.
  - Resellers generally see themselves as "order takers" rather than "high-pressure, hard-sell salespeople" and therefore will gravitate to "easy-to-sell" brand names and types of products to maintain their existence. As a result, long-established resellers will find themselves representing certain product lines during periods of favorable market conditions, and dropping the same product lines during periods when such factors work in their disfavor. As a result, the reseller market is "highly elastic," retaining very little brand name or product loyalty over long periods of time.



### III MANUFACTURER AND RESELLER OPERATIONS



### III MANUFACTURER AND RESELLER OPERATIONS

#### A. FINDINGS

- The exhibits in this section were presented orally to IBM in Harrison, New York on July 19, 1980.
- The results of the interviews, both data and comments, are outlined and summarized in the following exhibits.

## EXHIBIT III-1

BRAND NAME TELEPRINTERS CARRIED BY RESELLERS

(FREQUENCY OF MENTION)

	<u>DISTRIBUTORS</u>	<u>LEASING COMPANIES</u>
Tally	1	1
DEC	4	7
Teletype	5	5
Diablo	2	1
Qume	2	1
TI	5	4
Centronics	4	0
CTSI	1	1
Anadex	1	0
NEC	1	0
Dataproducs	1	0
G.E.	1	3
Integral Data Systems	1	0
Computer Devices	1	1
Extel	0	1
Computer Devices	0	1
Carterfone	0	1
Data General	0	1
Lear Siegler	0	1
Techtran	<u>0</u>	<u>1</u>
TOTAL	30	30

INPUT

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COMMENTS ON WHY RESELLERS DO REPRESENT  
MORE THAN ONE TELEPRINTER MANUFACTURER

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- Want to expand their sales to specialty teleprinter markets.
- No one manufacturer has a broad enough teleprinter line to meet all market needs.
- Are complementary lines with our CRT display terminals and OEM turnkey system configurations.
- Don't want to be at the mercy of one vendor.
- Customer preference.
- Want to be more responsive to more of clients' needs.
- Don't want to force client applications to a teleprinter that really does not do the job.
- We are a supermarket of D.P. products.

INPUT

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COMMENTS ON WHY RESELLERS DO NOT REPRESENT  
MORE THAN ONE TELEPRINTER MANUFACTURER

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- Rather be an expert in repairing and servicing one teleprinter line than a semicompetent organization for many teleprinter manufacturers.
- Don't need any other line than Teletype; they are the General Motors of the industry.

INPUT

RESELLER OPERATIONS PROFILE

COMPANIES INTERVIEWED	NUMBER OF SALES OFFICES		NUMBER OF WAREHOUSES	
	AVERAGE	RANGE	AVERAGE	RANGE
DISTRIBUTORS	4	1- 15	3	0-15
LEASING COMPANIES	39	1-187	7	1-28

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SERVICES MANUFACTURERS PROVIDE TO RESELLERS

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(PERCENT OF RESPONDENTS PROVIDING SERVICE)

EQUIPMENT INSTALLATION	75%
EDUCATION AND TRAINING	100%
EQUIPMENT MAINTENANCE*	75%

\*ONE OF THE MANUFACTURERS INTERVIEWED HOLDS EQUIPMENT MAINTENANCE CLASSES WITH ITS TELEPRINTER RESELLERS BY USING A MOBILE FIELD SERVICE VAN WHICH TRAVELS CONTINUOUSLY AROUND THE COUNTRY TO RESELLERS' SITES.

INPUT

EXHIBIT III-6

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SERVICES RESELLERS PROVIDE TO END USERS

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(PERCENT OF RESPONDENTS PROVIDING SERVICE)

	<u>DISTRIBUTORS</u>	<u>LEASING COMPANIES</u>
Equipment Installation	75%	88%
Education and Training	63%	75%
Equipment Maintenance	75%	88%

- LEASING COMPANIES INTERVIEWED, IN GENERAL, INDICATED THAT THE COST OF SERVICES WHICH THEY PROVIDE END USERS ARE BUILT IN AS AN OPTION (NEGOTIABLE) IN THEIR MONTHLY TELEPRINTER LEASING CHARGES.
- ONE DISTRIBUTOR INTERVIEWED CONSIDERED HIMSELF AN OVERALL "SERVICE ORGANIZATION" TO HIS CLIENTS.
- ANOTHER DISTRIBUTOR INDICATED THAT HE SERVICES HIS CLIENTELE AS A CONSULTANT IN SYSTEMS DESIGN, HAS A SOFT SELL APPROACH AND HIRES SALESPeOPLE WITH EXTENSIVE DATA PROCESSING BACKGROUND AND CONSULTING EXPERIENCE.

INPUT

MODE OF TELEPRINTERSALES TO END USERSDISTRIBUTORS      LEASING COMPANIES

Average Percent of Teleprinters Purchased	72%	23%
Average Percent of Teleprinters Leased	16%	56%
Average Percent of Teleprinters Rented	9%	12%
Average Percent of Teleprinters Leased/Rented With Purchase Option	<u>3%</u>	<u>9%</u>
	100%	100%

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RESELLERS' COMMENTS ON END USERS' MODE  
OF CONTRACTING FOR TELEPRINTERS

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- 50% OF DISTRIBUTORS AND 75% OF LEASING COMPANIES INDICATED THAT END USERS HAVE SWITCHED TO LEASING MORE TELEPRINTERS IN THE LAST 6 MONTHS RATHER THAN BUYING THEM.
- IF THE SELLING PRICE IS LESS THAN \$2,000, END USER TENDS TO BUY; IF OVER \$2,000, END USER TENDS TO LEASE.

INPUT

AVERAGE ANNUAL TELEPRINTER  
SALES /LEASES /RENTALS  
BY RESELLERS

<u>DISTRIBUTORS INTERVIEWED</u>	<u>1979</u>	<u>1980*</u>	<u>1981*</u>
Average # of units /yr.	1743	2549	3151
Average growth rate (yr./yr.)	-	46%	24%

\*Part of 1980 and entire 1981 projected.

INPUT

EXHIBIT III-9 (CONT.)

AVERAGE ANNUAL TELEPRINTER

SALES /LEASES /RENTALS

BY RESELLERS

<u>LEASING COMPANIES INTERVIEWED</u>	<u>1979</u>	<u>1980*</u>	<u>1981*</u>
Average # of units/yr.	5857	6500	7686
Average growth rate (yr./yr.)	-	11%	18%

\*Part of 1980 and entire 1981 projected.

INPUT

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PERCENT OF TELEPRINTER TERMINALS SOLD  
BY MANUFACTURER THAT ARE R.O. (RECEIVE ONLY) UNITS

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Respon- dent #	<u>1979</u>	<u>1980</u>	<u>1981</u>
1	20%	30%*	33%
2	5	5	5
3	0**	0	0
4	0***	0	0
5	25	40	50+
6	95	96	98

\* DEC and TI are coming out with an R.O. version.

\*\* Current market segments do not require R.O. units; however, the market demand for keyboard teleprinters to slave CRT's is growing.

\*\*\* Do not manufacture R.O. teleprinters.

INPUT

## EXHIBIT III-11

PERCENT OF ALL TELEPRINTERSSOLD/LEASED BY RESELLERSTHAT ARE R.O. UNITS

	<u>1979</u>	<u>1980*</u>	<u>1981*</u>
Average R.O. Units Sold/Leased By Distributors	17%	17%	17%
Average R.O. Units Sold/Leased By Leasing Companies	8%	9%	9%

\*Part of 1980 and entire 1981 projected.

INPUT

PERCENT OF R.O.  
TELEPRINTERS PURCHASED/LEASED BY END USERS

	<u>DISTRIBUTORS</u>	<u>LEASING COMPANIES</u>
Average % of all Teleprinter Sales Which Are R.O. Units Only	17%	8%
Average % of R.O. Teleprinters Purchased	64	26
Average % of R.O. Teleprinters Leased	<u>24</u>	<u>49</u>
TOTAL	88%	75%

- R.O. units usually are sold to OEM system houses; end users usually buy or lease keyboard units.

EXHIBIT III-13

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LARGEST NUMBER OF TELEPRINTERS SOLD BY MANUFACTURER  
IN ANY ONE YEAR TO ANY ONE RESELLER

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RESPONDENT #

1	600
2	WON'T SAY
3	NO COMMENT
4	200
5	1,400 OVER 2½ YEARS
6	WON'T SAY
7	3,000-5,000
8	20

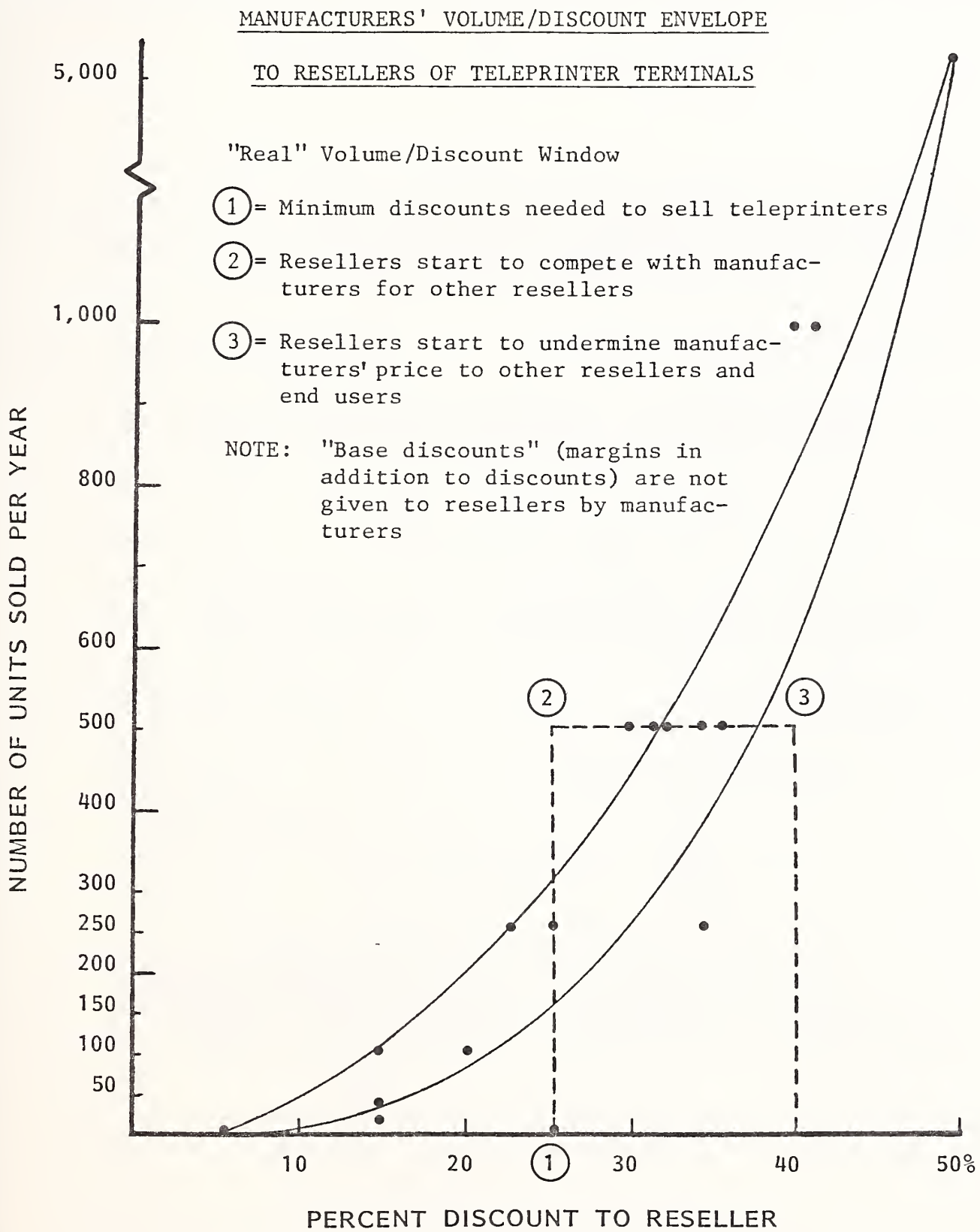
INPUT

RESELLER TELEPRINTER SALES

	<u>LARGEST NUMBER SOLD TO ANY ONE CUSTOMER IN ANY ONE YEAR</u>	<u>AVERAGE NUMBER SOLD TO A CUSTOMER IN 1979</u>
Average for Distributors	277	9
Range for Distributors	3-1,000	1-50
Average for Leasing Companies	670	9
Range for Leasing Companies	300-1,000	1-25

INPUT

EXHIBIT III-15



INPUT

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MANUFACTURERS' VOLUME DISCOUNT SCHEDULES  
TO RESELLERS OF TELEPRINTER TERMINALS

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● MANUFACTURER 1

- HAVE RADICALLY DIFFERENT VOLUME AND DISCOUNT SCHEDULES FOR EACH RESELLER
- 1 UNIT 20%
- APPROXIMATELY 500 UNITS 35%

● MANUFACTURERS 2 AND 3

- WILL NOT SAY

● MANUFACTURER 4

<u>VOLUME BREAKPOINT</u>	<u>% DISCOUNT</u>
25*	25%
50	28
100	30
>400	32

\*MINIMUM COMMITMENT TO BE CONSIDERED A DEALER.  
MANUFACTURER ALSO MAINTAINS PRICE INTEGRITY  
BETWEEN RESELLER'S SUGGESTED LIST PRICE AND  
MANUFACTURER'S SALES PRICE DIRECT TO END USER.

INPUT

EXHIBIT III-16 (CONT.)

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MANUFACTURERS' VOLUME DISCOUNT SCHEDULES  
TO RESELLERS OF TELEPRINTER TERMINALS

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● MANUFACTURER 5\*

- <u>VOLUME BREAKPOINT (OVER 2-YEAR TIME PERIOD)</u>		<u>% DISCOUNT</u>
	100	5%
	250	10
	500	15

\*SELL ONLY DIRECT TO END USER. NO SPECIAL DEALS  
WITH END USERS. OTHER THAN SCHEDULE ABOVE,  
PRICE IS FIRM.

● MANUFACTURER 6

- 50-99 UNITS 25%

● MANUFACTURER 7

- SINGLE PRICE SCHEDULE TO ALL DEALERS
- NO REAL DISCOUNTS

● MANUFACTURER 8

- <u>VOLUME BREAKPOINT</u>		<u>% DISCOUNT</u>
	250	25%
	1,000	30

INPUT

DISTRIBUTORS' DISCOUNTS ON TELEPRINTER TERMINALS TO END USERS

<u>RANGE OF DISCOUNTS</u>	<u>% OF CUSTOMERS GETTING A DISCOUNT</u>
• 2/10 net 30	Less than 3%
• 1 to 4 units - 5 to 10%	25%
• 2% discount for cash at 1 unit 2 to 7% on 5 units or more; Depends on product margins	33% on sales only; No discount for rentals
• Maximum of 20% on drawdown or single order	50%
• 5 units - 5% 10 units - 10% 100 units - 20%	Average 10%; Fortune companies usually don't get discount; discount mostly to schools
• 10 to 15% on 10-24 units	20%
• Depends on total \$ spent with reseller on all equipment in one year; Very negotiable	5 to 40%

LEASING COMPANY DISCOUNTS ON TELEPRINTER TERMINALS TO END USERS

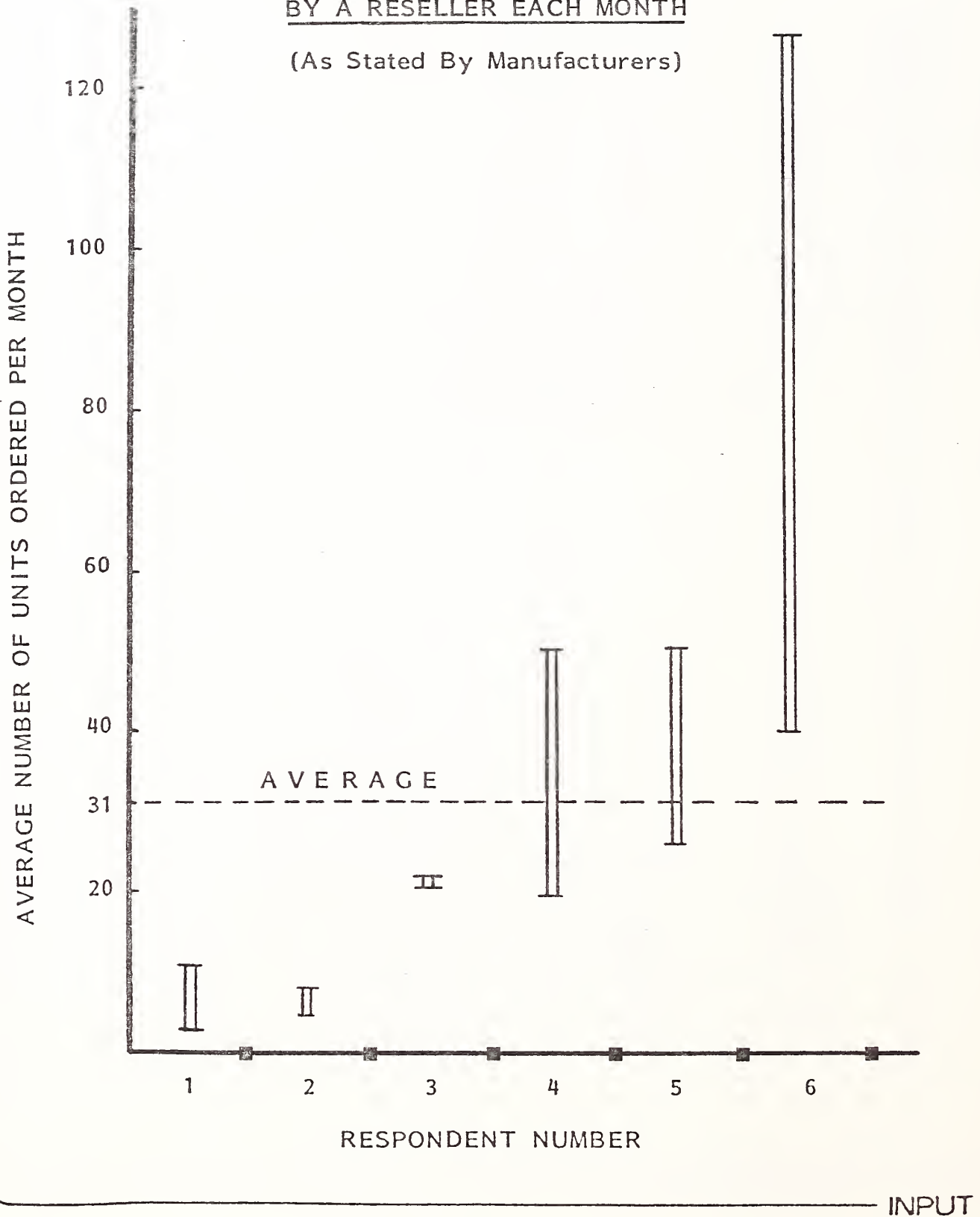
<u>RANGE OF DISCOUNTS</u>	<u>% OF CUSTOMERS GETTING A DISCOUNT</u>
• None	None
• 1 to 10 - 5%	
• 10 to 50 - 10%	
• 30 to 100 - 15%	
• Over 100 - negotiable	Don't know
• Maximum 10%	Very few, most dealers give 12 to 15% on unit 1 so discounts do not mean much
• Not over 10% - over 100 units/year	Very few
• Usually only for RFP's on large orders. Maintenance contracts included in price make it difficult to compare bids	Very confidential
• 25% over 1,000 units	15%
• Very complicated, flexible; depends on what client needs- Buy out price, high rate, etc.	10%; Fortune 1,000 only

INPUT

NUMBER OF TELEPRINTERS ORDERED

BY A RESELLER EACH MONTH

(As Stated By Manufacturers)



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AVERAGE NUMBER OF TELEPRINTERS ORDERED EACH  
MONTH BY DISTRIBUTORS FROM SUPPLIERS

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<u>RESPONDENT #</u>	<u># OF UNITS ORDERED/MONTH FROM ALL MAJOR SUPPLIERS</u>
9	1-10
10	125
11	TI 700 series - 10-15/month; Lear Siegler - all models 10/month.
12	40-50/month - all suppliers.
13	Teletype - about 40/month.
14	125-150/month - all suppliers.
15	60/month - all suppliers.
16	800/month - all suppliers.

INPUT

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AVERAGE NUMBER OF TELEPRINTERS ORDERED EACH  
MONTH BY LEASING COMPANIES FROM SUPPLIERS

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<u>RESPONDENT #</u>	<u># OF UNITS ORDERED/MONTH FROM ALL MAJOR SUPPLIERS</u>
17	Teletype - 80/month; Extel 125/month; GE 80/month.
18	800-900/month - all suppliers.
19	300-400/month - all suppliers
20	Teletype - 24/month; Lear Siegler - 15-20/month; All other other suppliers 5-10/month.
21	DEC 400-500/month; Teletype 50/month; Computer Devices - 30/month
22	Teletype - 80/month.
23	C O N F I D E N T I A L
24	100/month - each supplier.

INPUT

MONTHLY INVENTORY LEVELS OF  
RESELLERS OF TELEPRINTER TERMINALS

	<u>AVERAGE</u>	<u>RANGE</u>
Distributors	183	5-1,100
Leasing Companies	800	0-2,000

INPUT

## EXHIBIT III-23

TELEPRINTER APPLICATIONS(AVERAGE PERCENT OF TELEPRINTERS SOLD/LEASED IN EACH AREA)

APPLICATION	MANUFACTURERS	DISTRIBUTORS	LEASING COMPANIES
Resellers	36%	-	-
OEM System Houses	17%	-	-
Mainframe End Users	15%	14%	14%
Minicomputer End Users	2%	14%	9%
Microcomputer End Users	1%	6%	6%
Timesharing End Users	25%	23%	48%
Telecommunication End Users	3%	43%	11%
Other - DDP End Users	0%	0%	12%
Unknown	1%	0%	0%
TOTAL	100%	100%	100%

INPUT

TELEPRINTER APPLICATIONS - continued

- NONE OF THE MANUFACTURERS INTERVIEWED USED THEIR TELEPRINTERS AS PART OF A MORE ELABORATE SYSTEM MANUFACTURED AND SOLD UNDER THEIR OWN BRAND NAME.
- ONLY A VERY SMALL NUMBER OF TELEPRINTERS PRODUCED BY EACH MANUFACTURER AS USED INTERNALLY FOR THEIR OWN OPERATIONS.

INPUT

AVERAGE PERCENT OF TELEPRINTERS SOLD/LEASED BY APPLICATION AREA

APPLICATION	MANUFACTURERS		DISTRIBUTORS		LEASING COMPANIES	
	SOLD	LEASED	SOLD	LEASED	SOLD	LEASED
Reseller	98	2	-	-	-	-
OEM System Houses	100	0	-	-	-	-
Mainframe End Users	86	14	67	33	24	76
Minicomputer End Users	98	2	61	39	21	79
Microcomputer End Users	97	3	66	34	21	79
Timesharing End Users	83	17	63	37	37	63
Telecommunication End Users	85	15	73	27	24	76

• ONE OF THE REASONS WHY MANUFACTURERS WORK WITH RESELLERS IS FOR THEIR LEASING CAPABILITIES.

• WITH A LITTLE PERSUASION, TIMESHARING END USERS WILL LEASE INSTEAD OF PURCHASE.

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### DIFFERENCE BETWEEN A DEALER AND A DISTRIBUTOR

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- A dealer is usually a small, manufacturer's representative organization that does not have the capital to get into the leasing or rental market.
- Dealers usually get low quantity breakpoints and a smaller discount than distributors, with no billbacks if sales milestones are not met.

INPUT

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MANUFACTURERS' WORKING RELATIONSHIP WITH  
RESELLERS AND OEM SYSTEM HOUSES

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- TELEPRINTER MANUFACTURERS INDICATE THAT THEY SELL VERY DIFFERENTLY TO RESELLERS THAN TO OEM SYSTEM HOUSES; THEY WORK WITH THE FORMER, AND SERVICE THE LATTER AS A BIG ACCOUNT.
- TELEPRINTER MANUFACTURERS' PRICING AND DISCOUNT SCHEDULES, AND CONTRACT TERMS AND CONDITIONS, ARE ALSO RADICALLY DIFFERENT FOR RESELLERS THAN FOR OEM SYSTEM HOUSES.

INPUT

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REQUIREMENTS FOR RESELLERS TO BE  
AUTHORIZED DISTRIBUTORS  
(As Expressed By Manufacturers)

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- National or at least regional in sales activity.
- Financial stability.
- Must provide value added to teleprinter in the form of application/system software/hardware interface.
- Must provide customer support and service for value added.
- Do not sell through resellers.
- Minimum, non-cancellable order for teleprinters per year.
- Establish \$100,000 line of credit.
- Contract to take delivery of a minimum of 500 teleprinters in a 12-month period.
- Must have at least 2 branches plus home office and a minimum of 4 full-time salespeople.
- Contract to sell minimum number of teleprinters per year.

INPUT

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REQUIREMENTS FOR RESELLERS TO BE  
AUTHORIZED DISTRIBUTORS  
(As Expressed By Manufacturers)

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- Depends on how big a market and type of products a reseller will handle.
- Depends on number of other resellers for manufacturer in area.
- No rigid rules.
- Requirements usually set by regional sales manager.
- Pass credit check.
- Contract to sell a minimum number of teleprinters each year.
- Contract to sell a minimum of 100 teleprinters per year.
- Creditworthy.
- Can provide a professional level of service to end user.
- Financially solvent.
- Sell a large number of teleprinters each year.
- Good reputation.
- Pre- and post-sales service.

INPUT

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REQUIREMENTS FOR RESELLERS TO  
BE AUTHORIZED DISTRIBUTORS  
(As Expressed By Resellers)

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- Must carry a minimum of \$5,000 in inventory.
- Must commit by contract to sell a minimum number of teleprinters per year.
- Must commit to sell a minimum of 500 teleprinter units per year.
- Must have an established, well-respected reputation.
- Must have an acceptable financial profile.
- Must have a systems-type sales force.
- Must stock a minimum of 10 units inventory/month.
- Must meet credit criteria.
- Must purchase at least 150 units/year.
- Must be able to service customer and product.
- Must do own sales promotion.
- Must inventory product in reasonable amounts based upon sales projections.
- Must inventory repair parts.
- Have a substantial capital base.
- Ability to rent/lease.
- Must have servicing and sales capacity.
- Integrity.
- Financial credentials.
- Creditworthy.
- Carry reasonable inventories.
- Must stock inventory to be able to ship in 4-6 days.

INPUT

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REQUIREMENTS FOR RESELLERS TO  
BE AUTHORIZED DISTRIBUTORS  
(As Expressed By Resellers)

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- None really - all manufacturers use various qualifiers of resellers in the initial choice of the reseller, but after the contract is signed there isn't much the manufacturer can do.
- Stable capital structure.
- Adequate sales and service organization.
- As a master distributor, we write the terms.
- Being an authorized distributor benefits manufacturer more than reseller - it is a way of limiting the number of sales outlets for the product and keeps market price integrity.
- Forced sales quotas with manufacturer causes resellers to sell smaller resellers at 5% above cost, creating a "second-tier" market which ultimately subverts manufacturers' direct sales and pricing structure.
- Most manufacturers make a decision on authorizing a distributor on reputation and "gut feel."
- Manufacturers in general do not want formal authorized distributor relationships because of the legal problems this can create based upon violations of the Uniform Commercial Code in shipping and forcing distributors to accept products which have latent defects in their manufacture.
- When resellers start doing well, manufacturers usually start putting in their own direct sales force. This cycle has occurred several times already in the teleprinter market.

INPUT

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REQUIREMENTS FOR RESELLERS TO  
BE AUTHORIZED DISTRIBUTORS  
(As Expressed By Resellers)

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- Neither DEC nor Teletype have such a concept as an authorized distributor.
- To lure resellers back into the market, manufacturers use advertising to create market demand.
- Primary factor is how many teleprinters will a reseller commit to sell each year.
- Size of sales force is not a factor.
- Teletype looks for a reseller to be in the leasing business in some way.
- Must make commitment for customer servicing, parts stocking and sales training by manufacturer.
- Financial sustenance.
- Adequate sales resources.
- Unit volume commitment.

INPUT

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## HOW MANUFACTURERS' SALES FORCES INTERFACE WITH RESELLERS

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- Major problem: manufacturers' OEM direct sales forces compete with resellers because they do not "have a market of their own."
- Do not have a direct sales force.
- Manufacturer sales force supports resellers in their sales activity.
- Manufacturer sales force gets commission overrides on reseller sales.
- Very efficient direct sales force: 2 people for 130 customers.
- No interface, no competition; if necessary we split commissions.
- Direct sales people work with resellers on non-standard application areas for teleprinter terminals.

INPUT

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MANUFACTURERS' REASONS FOR TERMINATING  
RESELLERS' CONTRACT

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- Non-payment of bills.
- Mutual agreement to terminate contract.
- Did not meet sales performance expectations; unprofitable relationship for both parties.
- Have not terminated any contracts to date, do not have many dealers.
- Non-performance of any contract terms.

INPUT

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MEANS OF MONITORING RESELLERS'  
FINANCIAL CONDITION  
(As Expressed By Manufacturer)

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- Request quarterly profit-and-loss statements from resellers.
- Length of time it takes to pay receivables.
- What their customers say about the reseller.
- Level of advertising of reseller.
- Dun and Bradstreet credit reports.
- Resell mostly through GE - no problem.
- Request periodically updated financial statements to renew lines of credit.
- Have not been monitoring this area in resellers.

INPUT

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MANUFACTURERS' METHODS OF MONITORING  
FINANCIAL CONDITIONS  
(As Expressed By Distributors)

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- We are big enough to buy our suppliers.
- How quickly we pay our bills.
- Dun & Bradstreet reports.
- Review our financial statements to obtain credit line.
- Submit quarterly financial statements.
- Public company - we have established credit lines (\$500,000) with suppliers.

INPUT

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MANUFACTURERS' METHODS OF MONITORING  
FINANCIAL CONDITIONS

(As Expressed By Leasing Companies)

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- Difficult to monitor us because we are part of large NYSE company.
- We are not allowed to exceed \$100K monthly credit line.
- Provide periodic financial statements to manufacturers.
- DEC looks closely; Teletype doesn't.
- We won't submit financial statements to anyone.
- Have set credit lines and periodic financial statement review.
- Very seldom done in last 2-3 years.
- We monitor manufacturers, they don't monitor us.
- Teletype users Dun & Bradstreet reports.
- Our parent company monitors our financials.
- Annual balance sheet check.

INPUT

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MEANS OF MONITORING RESELLERS' SALES  
ACTIVITY AND PERFORMANCE  
(As Expressed By Manufacturer)

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- Require monthly reports from resellers on number of teleprinter units sold.
- Level of advertising.
- What their customers say about them.
- Frequent contact of manufacturer's direct sales force, which gets commission override on distributor sales.
- Lack of new teleprinter orders after a period of time.
- Reseller must provide manufacturer with monthly list of zip code sequenced list of new installations. This protects identity of reseller's accounts, helps the manufacturer keep track of warranty cards and helps the manufacturer monitor reseller's sales performance.
- Require monthly report of reseller's teleprinter inventory and sales.

INPUT

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MANUFACTURERS' METHODS OF MONITORING  
SALES ACTIVITY AND PERFORMANCE  
(As Expressed By Distributors)

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- We are not monitored.
- Monthly sales reports to TI and Lear Siegler.
- Number of units we ask for release for shipment by manufacturer.
- Customer complaints to manufacturer.
- Rising or falling order levels.
- Submit monthly zip code reports of shipments to TI.
- Inventory status report and sales reports.
- Manufacturer field sales people continuously talking to our sales people.

INPUT

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MANUFACTURERS' METHODS OF MONITORING  
SALES ACTIVITY AND PERFORMANCE  
(As Expressed By Leasing Companies)

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- We are not monitored.
- Number of teleprinters sold/leased.
- Reserve right to ask for monthly sales by zip code area.
- No one monitors very closely. Administrative overhead to do so too costly; this nuisance has not been automated yet.
- Order size and frequency.
- Quarterly review of sales performance versus contract quota.
- Number of units purchased/month.

INPUT

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MANUFACTURERS' ACTIVITY TO CORRECT  
RESELLERS' POOR SALES PERFORMANCE

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- Appoint another distributor in same area.
  - Cancelling a non-performing distributor's contract is basically self-defeating.
- Have a formal meeting with reseller to determine why the reseller is not performing and agree on a plan of action to correct the situation.
- Have not had this problem as yet.
- Reseller billbacks of discounts not earned.
- None; resellers can only add to our business.
- Lose dealer/distributor status.
- Bill back difference of quantities ordered versus sold.
- Help direct advertising and other means of direct promotion to dealer or area.

INPUT

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ACTIONS TAKEN BY MANUFACTURERS TO CORRECT  
POOR SALES PERFORMANCE  
(As Expressed By Distributors)

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- Never happened.
- Manufacturer would help us put together a promotion plan.
- Supportive rather than punitive action.
- Manufacturer will cancel contract if we don't meet quota.
- We always meet our quota.
- TI used to have a penalty charge but their new agreement does not.
- Hazeltine, Centronics and Teletype attempt to help reseller via sales training, providing sales leads and publishing application newsletters to stimulate potential end users.
- Usually none; if chronically substandard, agreement is cancelled.
- TI has no sales quota.
- DEC bills back to previous quantity/discount level.

INPUT

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ACTIONS TAKEN BY MANUFACTURERS TO CORRECT  
POOR SALES PERFORMANCE  
(As Expressed By Leasing Companies)

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- None - Neither punitive nor supportive actions.
- Never happened.
- DEC will visit you to find out what is wrong.
- Regional sales manager will visit to find out nature of problem.
- Will extend delivery time 3 to 6 months.
- Never had a contract cancelled. If a product can't be sold because of bad design, etc., then manufacturer and supplier just part ways - no penalty.
- Left over units sold back to manufacturer with/without restocking charge.
- Lear Siegler tries to enforce delivery schedules and payments if they know you are financially sound.
- Next contract term is taken at next lower discount/quantity level.
- Yearly review if don't meet annual contract quota.
- Supplier will bill us back for shortfall.
- Supplier screams at us or indicates level of missionary work done by their direct sales force.

INPUT

## EXHIBIT III-40

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**MOST IMPORTANT CONTRACT TERM OR CONDITION TO  
INCREASE TELEPRINTER SALES AND PROFITABILITY  
(As Mentioned By Manufacturers)**

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- Contract is not important.
  - More important is mutual commitment of manufacturer and reseller to perform their part of the agreement.
- No exclusive contracts.
- Presures of contract terms cause resellers to sell teleprinters at very small margins above manufacturer's cost, thereby creating very disruptive "second-tier" markets.
- Terms and conditions don't pertain to sales and profitability.
- Consistency of contract terms regardless of size of reseller.
- Non-proliferation of resellers in any one area.
- Discount schedules manufacturer can offer distributor.
- Price protection.
- Co-op advertising programs.
- Sales performance.

INPUT

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RESELLERS' GREATEST CONCERN IN REPRESENTING A  
TELEPRINTER MANUFACTURER  
(As Perceived By Manufacturers)

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- Some resellers look at us as "also rans".
- Does teleprinter manufacturer have name brand recognition so that teleprinters "sell themselves?"
- Equipment reliability.
- Backup sales and field service support.
- Good quality, reliable product.
- Competitive product performance in marketplace.
- Distributors don't want to find themselves competing with each other.
- Is there a market for this type of teleprinter?
- Maintenance support.
- Product differentiation.
- Product portability.
- "Hot line" support in sales, service, maintenance.

INPUT

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MOST IMPORTANT OVERALL FACTOR AND COMMENTS BY  
DISTRIBUTORS REPRESENTING A TELEPRINTER MANUFACTURER

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- Quality of Teleprinter product.
- Quality of service to client.
- If service is poor you don't get a second chance.
- Broad application flexibility.
- IBM is in the specialty teleprinter market, has higher prices.
- DECwriter broad application market; lower prices.
- IBM unit is EBCDIC, not suitable for timesharing environment; most other teleprinters are ASCII compatible.
- Brand name recognition - we are basically order takers.
- Ease of installation important.
- Manufacturer reputation.
- Don't want to deal with new manufacturers.
- Western Union Data Services closed up because GE teleprinter prices were too high.
- Teletype is squaring off to compete with IBM in 2741 market via intelligent terminal line, which is really a small business computer (16 Byte machine).
- GE Service Company is planning to service DEC teleprinters; they are making overtures to buy local and regional reseller maintenance contracts/operations.

INPUT

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**MOST IMPORTANT OVERALL FACTOR AND COMMENTS BY  
DISTRIBUTORS REPRESENTING A TELEPRINTER MANUFACTURER**

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- Equipment reliability.
- Brand name recognition and quality of product.
- Ability to generate enthusiasm in market is beyond ability of reseller; must be done by manufacturer's advertising.
- IBM name on it is half the battle; resellers don't have time to be "trail blazers".
- DEC is afraid of anti-trust action; they hold back on deliveries if they are having a reseller problem - major reason for contract cancellation is non-payment of bills.
- Product versatility, maintainability and price, in that order
- No one wants cheap equipment.
- Relationship between reseller and manufacturer; financially and in every other way.
- Reseller wants to be treated as an extension of manufacturer's operations, not as their customer.

INPUT

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**MOST IMPORTANT OVERALL FACTOR AND COMMENTS BY  
LEASING COMPANIES REPRESENTING A TELEPRINTER  
MANUFACTURER**

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- Good discounts.
- Will only represent largest manufacturers; got burned too many times with new "budding" companies.
- Dialogue and more dialogue.
- If reputation of company is or will be an accepted market brand name, they want to sell/lease that equipment.
- If teleprinter manufacturer doesn't cultivate renting companies, they are missing 66% of market.
- DEC is selling LA34 in vendor stores for \$45/unit less than what a reseller can get it for from DEC directly.
- Retail stores are no threat to renters, only sellers.
- IBM did not sell product, they sold "peace of mind."
- IBM did not have broad product selection, but they did provide "state-of-art technology".
- Success in market is not so much product as it is strategy; GTE, UNIVAC and TRW came into market and died fast because of poor market strategy.
- Customer demand for product must be in marketplace; reseller will not promote demand.
- Quality of product.
- Number of units we can expect to market over life cycle of product.
- User demand, teleprinter serviceability, price-technology.
- Market demand, product reliability, profit potential.

INPUT

TELEPRINTER MAINTENANCE POLICIES

SUPPLIER/SITE OF TELEPRINTER MAINTENANCE	RESPONDENT CATEGORY		
	MANUFACTURER	DISTRIBUTOR	LESSOR
Reseller - On-site	75%	63%	75%
Reseller - At Shop	38%	13%	75%
Manufacturer - On-site	75%	50%	13%
Manufacturer - At Depot	13%	38%	13%
Manufacturer - At Factory	50%	25%	38%
Third Party	38%	0%	0%

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MANUFACTURERS' COMMENTS ON TELEPRINTER MAINTENANCE  
POLICIES

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- T&M.
  - \$28/hour and parts.
- Contract - 1% of selling price/month.
- Same rates for reseller and end user.
- T&M.
  - About \$38/month flat rate depending on model.
- Contract - 0.8% of selling price/month.
- T&M.
  - About \$45/month flat rate depending on model
  - Up to \$50/month within 50-mile radius.
- Manufacturer subcontracts to 140 independent third-party maintenance companies nationwide. These field service organizations charge the manufacturer at their own rates schedule; manufacturer then bills end user at one uniform rate nationwide.
- Contract.
  - \$312/year flat rate, any model, or T&M after one year warranty.
- T&M.
  - \$30/month flat rate any model.
- No contract; heavy reliance on third parties.

INPUT

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DISTRIBUTORS' COMMENTS ON MAINTENANCE  
POLICIES AND TERMS

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- Reseller provides a backup "swap" unit to end user.
- Try not to use manufacturer as a backup.
- T&M.
  - \$40/hour and parts.
- Contract.
  - \$20/month on-site repair.
- Can be competitive with third-party maintenance because they are smaller.
- Contract.
  - 7% of s.p./year; determined by client location.
- Manufacturer's service becoming more and more popular.
- Reseller charges same as manufacturer; therefore most customers go to manufacturer for service.
- Rarely go to manufacturer on a T&M basis.

INPUT

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LESSORS' COMMENTS ON MAINTENANCE  
POLICIES

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- Reseller has strong field maintenance operation.
- Contract.
  - 15-30% annual lease rate.
- Manufacturers not capable of client backup because turnaround time too slow. DEC charges \$60/hour.
  - \$800 to replace board on \$1,600 unit. This hurts a leasing company's profit because lessor owns equipment.
- Reseller charges \$30/month for a LA 120 maintenance contract. End user has to diagnose problem, returns equipment to reseller who in turn returns it to DEC. Usual bill is \$300-400 plus \$75 handling.
- DEC has a 20% failure rate in field; TI has about 75% failure rate on 743s and 745s.
- Mostly done by reseller.
  - We prefer to get the profit from value added maintenance.

INPUT

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**PARTS DISCOUNTS TO RESELLERS**  
(As Expressed By Manufacturers)

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- Manufacturer has a "provisioning" policy - if reseller can wait for 3-4 weeks delivery, he will get a 20% discount
- If reseller needs parts immediately, reseller pays manufacturer's list price.
- Purpose of policy is to require reseller to stock a parts inventory.
- Minimum parts order is \$50.
- On parts orders of \$10,000 - 100,000 will give discounts of 35% and 40% respectively.
- No parts discounts.
- 25% discount at \$100 or more purchase order.
- Minimum of 30-35% at \$500 purchase or more.
- Minimum \$75 order for parts - no discounts.
- 5% for each \$100 of purchase order up to a maximum of 20%.

INPUT

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**PARTS DISCOUNTS FROM MANUFACTURERS**  
(As Expressed By Resellers)

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- Too much trouble to get involved with parts inventory.
- Very rarely get a discount-we don't buy in enough volume.
- None.
- Teletype doesn't have parts discounts.
- GE and Hazeltine gives 25%.
- DEC gives 10% to 15% discounts on orders over \$5,000.
- 10% to 15% off list price at dollar (\$1).
- No real volume discounts.
- 30% at \$1,000+.
- 30% to 40% at high dollar levels.
- DEC charges \$300 to \$600 to fix a circuit board having a \$2 bad chip.
- Area not handled well by manufacturers. Some suppliers don't even have a parts list.
- Buy parts from independent parts distributors.
- DEC sells kits-35% discount at \$2,000; 40% discount at \$100,000.
- DEC requires \$10,000 minimum parts order to qualify for any discount.
- Flat 20% to 25% from unit one.
- DEC will sign a spares purchase agreement and provide 15% discount for \$200K parts purchases over one-year period.
- 5% to 10% on 50 packages and above.
- 25% to 40% - depends on type of parts and whether new or rebuilt.
- 35% from one dollar and up.

INPUT

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MANUFACTURERS' COMMENTS ON FUTURE  
INDUSTRY APPLICATION AREAS

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- Distribution and warehousing.
- Televideo news communication for business with interactive inquiry capability.
- Expansion into home market.
- Tax audits.
- Automobile assembly lines.
- Field service and diagnostics.
- Expansion of credit and finance market.
- Insurance.
- Banks.
- Public utilities.
- Government.
- Educational.
- CPA s.
- Timeshared word processing.
- Personal computers in large and small companies.
- Anything to do with telecommunications.

INPUT

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TELEPRINTER FEATURES NEEDED TO MEET  
NEW MARKET DEMAND AREAS  
(As Expressed By Manufacturers)

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- More versatile forms handling quieter printers.
- New print head technology.
- Faster speed.
- Smaller machines.
- Lower prices.
- Possibly lasers.
- More storage.
- More calculation capability.
- Less moving parts.
- Perhaps bubble memories.
- Built-in floppy disk controller approaching a small business computer.
- 1 to 8 line memory scan via CRT prior to printing.
- Quieter operation.
- Better print quality.
- Dot matrix impact printers to permit maximum print character flexibility will excel.

INPUT



#### IV CONTRACT TERMS AND CONDITIONS



#### IV CONTRACT TERMS AND CONDITIONS

##### A. FINDINGS

- The exhibits in this section were presented orally to IBM in Harrison, New York on July 19, 1980.
- The results of the interviews, both data and comments, are outlined and summarized in the following exhibits.

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TELEPRINTER CONTRACT TERMS AND CONDITIONS  
AS EXPRESSED BY MANUFACTURERS

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ITEM: Shipment rescheduling penalties.

- Took out of contract.
- Tried every form of it.
- Didn't have the clout to enforce it.
- If rescheduling takes place within 60 days of delivery, there is a 5% rescheduling charge.
- If rescheduling takes place within 30 days of delivery, there is a 10% rescheduling charge.
- Can reschedule up to 20% of order to be delivered within 90 days without penalty. Over 20% then; 15% (60-90 days) 25% (30-60 days); Less than 30 days must accept shipment.
- No shipment rescheduling penalty.
- No shipment rescheduling penalty; reseller must take delivery and then sell back to company with 35% restocking charge.
- Bills back reseller for discounts not earned.

INPUT

## EXHIBIT IV-2

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### COMMENTS FROM DISTRIBUTORS ON CONTRACT TERMS AND CONDITIONS WITH TELEPRINTER SUPPLIERS

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ITEM: Shipment Rescheduling Penalties.

- Major supplier does not have them.
- Supplier threatens penalties but never enforces.
- Larger penalty from Lear Siegler than TI.
- No penalty for rescheduling at any time with Teletype.
- No penalties.
- 5% penalty if reschedule 1 week before delivery; lose prompt performance bonus.

INPUT

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COMMENTS FROM LEASING COMPANIES ON CONTRACT  
TERMS AND CONDITIONS WITH TELEPRINTER SUPPLIERS

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ITEM: Shipment Rescheduling Penalties.

- No penalties.
- Must take 40% annual contract commitment in first 6 months.
- We give manufacturers \$3-4 million business each year. If they give us penalties then we are the wrong distributor or they are doing business the wrong way with us.
- Those who pay penalties are fools.
- We can't get enough teleprinters from our suppliers.
- Suppliers do have 5-10% penalties if reschedule in 60-90 days before delivery.
- Usually 5-15% of list price, but usually waived.

INPUT

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TELEPRINTER CONTRACT TERMS AND CONDITIONS  
AS EXPRESSED BY MANUFACTURERS

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ITEM: Cancellation charges

- Took out of contract.
- Reseller returns shipment and is charged 15% restocking charge.
- Most resellers will reschedule rather than cancel.
- Very seldom do they enforce 10% penalty.
- 20% at reseller's contract pricing level.
- No cancellation charge, must accept delivery. (100% cancellation charge).
- Option to resell back to manufacturer at 35% restocking charge.
- Cancellation charge is a percent of manufacturer's list price of equipment not accepted for delivery.

INPUT

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COMMENTS FROM DISTRIBUTORS ON CONTRACT  
TERMS AND CONDITIONS WITH TELEPRINTER SUPPLIERS

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ITEM: Cancellation Charges

- Penalty is usually discount readjustment (bill back).
- Penalty is a 15% restocking charge.
- A penalty is imposed by most suppliers.
- Penalty can be as much as 30%. Teletype charges 15% restocking charge if cancel within 30 days of delivery.
- 15% penalty if cancel anytime up to 120 days from original shipment schedule.
- Penalty usually 5% of manufacturer's list price.
- \$100 penalty per order regardless of whether it is over or under original order.
- Penalty usually 10% of purchase price.

INPUT

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COMMENTS FROM LEASING COMPANIES ON CONTRACT  
TERMS AND CONDITIONS WITH TELEPRINTER SUPPLIERS

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ITEM: Cancellation Charges.

- Penalty is usually 20% bill back if cancel within 30 days.
- We're too big to get cancellation charges from suppliers.
- We won't be forced to accept delivery on products with latent defects under Uniform Commercial Code protection.
- Usually 10% under 90 days; 15% under 60 days; 20% under 30 days. Some manufacturers allow returns for credit.
- 5% of selling price if we cancel within 60 days.
- Ranges between 10-15% depending on vendor.
- Usually 0-15% depending on supplier.
- Some suppliers charge 100% cancellation charge, which means we must take delivery. We then sell back to supplier minus a restocking charge.

INPUT

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TELEPRINTER CONTRACT TERMS AND CONDITIONS  
AS EXPRESSED BY MANUFACTURERS

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ITEM: Minimum Shipment Requirements

- None.
- Try to ship out of inventory, which means no lead time required by reseller.
- Must accept 20% of annual order amount within first milestone period.
- Minimum of 5 units per order.
- Four of 8 manufacturers interviewed indicated that they had no minimum shipment requirements.

INPUT

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COMMENTS FROM DISTRIBUTORS ON CONTRACT  
TERMS AND CONDITIONS WITH TELEPRINTER SUPPLIERS

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ITEM: Minimum Shipment Requirements.

- No problem, we can accurately schedule shipments.
- Hazeltine has none. Another supplier requires that we take \$40K to \$50K delivery in first 90 days.
- TI has no warehouse capability with new plant; therefore we get sporadic shipments.

INPUT

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COMMENTS FROM LEASING COMPANIES ON CONTRACT  
TERMS AND CONDITIONS WITH TELEPRINTER SUPPLIERS

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ITEM: Minimum Shipment Requirements.

- Yes, but not enforced.
- Must take 40% of order in first 6 months.
- We can never get enough teleprinters from suppliers.
- 10 units per order - do not drop ship.
- Teletype requires 1,000 units/year from distributors.

INPUT

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TELEPRINTER CONTRACT TERMS AND CONDITIONS  
AS EXPRESSED BY MANUFACTURERS

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ITEM: Prompt Performance Bonus

- Big accounts get 2% net 30.
- Most resellers took bonus but paid after 30 days anyhow; hard to enforce.
- None; to knowledge only DEC offers this to resellers.

INPUT

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COMMENTS FROM DISTRIBUTORS ON CONTRACT  
TERMS AND CONDITIONS WITH TELEPRINTER SUPPLIERS

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ITEM: Prompt Performance Bonus

- About \$95/unit depending on model.
- 2/10 net 30 from Lear Siegler and TI.
- If no change in orders within 90 days of delivery get from \$50 on LA34 to \$95 on LA120 additional discount.
- Only DEC has this; about \$100/teleprinter depending on model.
- Not usually counted on by reseller; about an extra 5-10% discount.

INPUT

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COMMENTS FROM LEASING COMPANIES ON CONTRACT  
TERMS AND CONDITIONS WITH TELEPRINTER SUPPLIERS

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ITEM: Prompt Performance Bonus

- For DEC equipment only.
- If no change in orders within 90 days of shipment get an extra \$50- 80/unit depending on model.
- Order 90 days in advance without change in order to get a rebate of \$95/unit.
- 2% net 30+ about \$100/unit if orders not cancelled within 90 days.

INPUT

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TELEPRINTER CONTRACT TERMS AND CONDITIONS  
(As Expressed By Manufacturers)

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ITEM: Warranty Period To Reseller.

<u># OF DAYS</u>	<u>INITIATION DATE</u>	<u>TERMS</u>
90	Leaves factory.	Parts must be returned to factory.
30	Leaves factory.	Parts and labor.
90	At delivery.	Parts and labor.
90	Leaves factory.	Parts and labor.

INPUT

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COMMENTS FROM DISTRIBUTORS ON CONTRACT  
TERMS AND CONDITIONS WITH TELEPRINTER SUPPLIERS

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ITEM: Warranty period to reseller.

- One-year shelf life warranty in addition to 90 day warranty to end user.
- 6 months for TI equipment; starts on delivery.
- 90-day shelf warranty; starts when it leaves factory.
- 120 days; starts on delivery.
- 180 days, of which 90 is to end user. (Warranty monitoring is one of the reasons for zip code reports.)
- 180 days; starts when it leaves factory.
- 60 days; starts when it leaves factory.

INPUT

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COMMENTS FROM LEASING COMPANIES ON CONTRACT  
TERMS AND CONDITIONS WITH TELEPRINTER SUPPLIERS

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ITEM: Warranty period to reseller.

- 90-day average; starts when it leaves factory.
- 30 days.
- 30-90 days; usually starts at delivery.
- Up to 1-year shelf life warranty in addition to end user warranty.
- Don't take Lear Siegler shelf life warranty - cost prohibitive.  
Amounts to an extra \$36/unit.
- 90-180 days; starts at delivery.
- Usually 90 days; starts at delivery.

INPUT

# EXHIBIT IV-16

## TELEPRINTER CONTRACT TERMS AND CONDITIONS

(As Expressed By Manufacturers)

ITEM: Warranty Period To End User (When Sold Direct)

<u># OF DAYS</u>	<u>INITIATION DATE</u>	<u>TERMS</u>
90	Leaves factory.	Not a meaningful warranty to end user. Parts have to be returned to factory. End user needs faster turnaround time or SWAP unit. Maintenance contract mandatory.
90	Leaves factory.	Parts & labor.
90	On installation.	Parts and materials only.
90 Mechanical	Leaves factory.	Parts only.
360 Electronic		
360	On delivery.	Parts and labor.
90	On installation.	Parts and labor.

INPUT

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COMMENTS FROM DISTRIBUTORS ON CONTRACT  
TERMS AND CONDITIONS WITH TELEPRINTER SUPPLIERS

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ITEM: Extended Warranty To End User By Reseller.

- Will provide maintenance contract; cost varies with brand name and model.
- We extend our own 90-day warranty in addition to suppliers because TI and Centronics customers usually have to wait 2-4 days for service.
- Suggest customer take out a maintenance contract for equipment for defects not showing up in 90 days.
- Five out of the 8 distributors interviewed indicated that they did not give end users an extended warranty.

INPUT

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COMMENTS FROM LEASING COMPANIES ON CONTRACT  
TERMS AND CONDITIONS WITH TELEPRINTER SUPPLIERS

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ITEM: Extended Warranty To End User By Reseller.

- Teletype has best quality control in market; reseller warranty not needed.
- We extend our own 30-day warranty to end users. Customer also has option of returning unit to manufacturer.
- None; we suggest a maintenance contract instead.
- Six out of 8 leasing companies interviewed did not give end users an extended warranty.

INPUT

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TELEPRINTER CONTRACT TERMS AND CONDITIONS  
AS EXPRESSED BY MANUFACTURERS

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ITEM: Delayed equipment warranty to end user (when sold through reseller)

<u>RESPONDENT #</u>	<u># OF DAYS</u>	<u>TIME WARRANTY STARTS</u>
1	90	Installed at user site.
2	90	Date shipped to end user.
3	W O N ' T S A Y	
4	90	Installed at user site.
5	SELL ONLY DIRECT TO END USERS	
6	(up to) 360	Delivery to end user.
7	90 (+ balance of shelf warranty)	Delivery to end user.
8	(up to) 90	Delivery to end user.

INPUT

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COMMENTS FROM DISTRIBUTORS ON CONTRACT  
TERMS AND CONDITIONS WITH TELEPRINTER SUPPLIERS

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ITEM: Delayed Equipment Warranty To End Users.

- Usually 90 days; starts on installation.
- 6 months; starts on delivery to customer.
- 90 days to 2 years depending on supplier and model number.  
Can return to supplier for exchange; starts from delivery date.
- 90-180 days - TI has best warranty in business; starts when received  
by end user.
- 90 days; legally starts at purchase of teleprinter.

INPUT

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COMMENTS FROM LEASING COMPANIES ON CONTRACT  
TERMS AND CONDITIONS WITH TELEPRINTER SUPPLIERS

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ITEM: Delayed Equipment Warranty To End Users.

- Usually 90 days; starts when received by end user.
- 60-90 days depends on type of contract; starts at installation.
- 90 days DEC charges \$350-500 average repair bills for a \$900 teleprinter out of warranty.
- Can get a 10% additional discount from DEC if you decline warranty.

INPUT

EXHIBIT IV-22

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RESELLER CONTRACT TERMS AND CONDITIONS AS  
EXPRESSED BY MANUFACTURERS OF TELEPRINTERS

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ITEM: Insurance For Equipment Damaged In Transit

<u>RESPONDENT #</u>	<u>TERMS</u>	<u>WHO PAYS FOR IT</u>
1	F.O.B. Factory; Not covered by warranty	Reseller
2	F.O.B. Factory	Reseller
3	Won't say	
4	None	Reseller
5	Included in selling price	End User
6	None	
7	None	
8	None	

INPUT

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COMMENTS FROM DISTRIBUTORS ON CONTRACT  
TERMS AND CONDITIONS WITH TELEPRINTER SUPPLIERS

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ITEM: Insurance For Equipment Damaged In Transit.

- None from manufacturer; reseller settles with shipper.
- Full replacement by carrier; cost is part of shipping cost.
- Insured at full value; paid by reseller.
- None - too expensive, cuts into our margins.

INPUT

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COMMENTS FROM LEASING COMPANIES ON CONTRACT  
TERMS AND CONDITIONS WITH TELEPRINTER SUPPLIERS

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ITEM: Insurance For Equipment Damaged In Transit.

- Self-insured.
- Have insurance via master policy with parent company.
- Insured for full damage; billed by manufacturers.

INPUT

RATING OF CONTRACT TERMS ANDCONDITIONS BY RESELLERS

(FROM (10) MOST IMPORTANT TO (1) LEAST IMPORTANT)

<u>CONTRACT TERM/CONDITION</u>	<u>DISTRIBUTORS (AVERAGE)</u>	<u>LEASING COMPANIES * (AVERAGE)</u>
Payment Terms	6.8	3.0
Cancellation Charges	5.1	6.0
Delivery & Shipment Flexibility	6.6	7.9
Extended Warranty	6.8	5.4
Delayed Warranty	5.3	5.8
Co-op Advertising	3.6	6.0
Sales Assistance	5.4	5.5

\*One leasing company interviewed rated each term and condition 0, indicating that "a contract is all nonsense," and he does not abide by the terms and conditions of manufacturers.

RATING OF CONTRACT TERMS  
AND CONDITIONS BY RESELLERS

(FROM MOST IMPORTANT TO LEAST IMPORTANT)

DISTRIBUTORS

Payment Terms/Extended Warranty  
Delivery and Shipment Flexibility  
Sales Assistance  
Delayed Warranty  
Cancellation Charges  
Co-op Advertising

LEASING COMPANIES

Delivery and Shipment Flexibility  
Cancellation Charges/Co-op Advertising  
Delayed Warranty  
Sales Assistance  
Extended Warranty  
Payment Terms

INPUT

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TERMS, CONDITIONS AND DISCOUNTS STATED BY  
MANUFACTURERS IN SELLING TELEPRINTERS  
DIRECTLY TO END USERS

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- Manufacturer intentionally quotes higher prices to end user for same teleprinter product to support distributor network.
- Very big order placed directly by end user with manufacturer may get a small discount but not as big as their distributor discount schedule for the same number of units.
- Manufacturer does offer a negotiated discount to end users but prefers resellers to handle these accounts.
- Manufacturer gives end user 15% discount for 100 or more units purchased directly by end user; there are no other terms and conditions.
- Manufacturer sells teleprinters only direct to end users. 5% discount at 100 units, 10% at 250 units and 15% at 500 units or more purchased over a 2-year period; other than that, there are no special deals, terms or conditions.
- Manufacturer gives end user a 1-year warranty and equipment service costing an additional 8% of selling price per year. Discounts range from 15-25% for 50-99 units depending on product.
- 20% discounts are given to end users who purchase over 100 units per year but the discount is given off manufacturer's suggested retail price to end user, not OEM/distributor price.

INPUT

APPENDIX A: MANUFACTURER'S SURVEY  
QUESTIONNAIRE



## MANUFACTURER'S SURVEY QUESTIONNAIRE

APPLICATIONS

1a. What percentage of all your teleprinter and keyboard printers are sold/leased to:

Resellers	_____ %
Internally to own systems or other group	_____ %
Main frame end users	_____ %
Mini computer end users	_____ %
Micro computer end users	_____ %
Time sharing end users	_____ %
Telecommunication end users	_____ %
Other end users	_____ %
_____	_____ %
_____	_____ %
TOTAL	100%

- 1b. Of the total number in each of the above categories what percentage is sold and what percentage is leased? (The total across the columns should equal 100%)

	<u>SOLD</u>	<u>LEASED</u>	
Resellers	_____ %	_____ %	100%
Internally to own systems or other group	_____ %	_____ %	100%
Main frame end users	_____ %	_____ %	100%
Mini computer end users	_____ %	_____ %	100%
Micro computer end users	_____ %	_____ %	100%
Time sharing end users	_____ %	_____ %	100%
Telecommunication end users	_____ %	_____ %	100%
Other end users	_____ %	_____ %	100%
_____	_____ %	_____ %	100%
_____	_____ %	_____ %	100%

2. What type of services do you provide resellers?

- ( ) Equipment installation.  
 ( ) Education and training.  
 ( ) Equipment maintenance.  
 ( ) Other. (Specify) \_\_\_\_\_

CONTRACT TERMS AND CONDITIONS

3. Does your contract with your resellers include:

	<u>YES</u>	<u>NO</u>
1. Shipment rescheduling penalties Penalty _____	( )	( )
2. Cancellation charges Penalty _____	( )	( )
3. Minimum shipment requirements # of units _____	( )	( )
4. Prompt performance bonus Terms _____	( )	( )
5. Delayed equipment warranty to end users (when sold through reseller) # of days _____ When does it start? _____	( )	( )
6. Warranty period to end user (when sold direct) # of days _____ When does it start? _____ What does it include? _____	( )	( )
7. Warranty period to reseller # of days _____ When does it start? _____ What does it include? _____	( )	( )
8. Insurance for equipment damage in transit Terms _____ Who pays for it? _____	( )	( )

4a. What are the requirements for resellers to be considered an authorized distributor or dealer of your teleprinters and keyboard printers?

4b. What incentives do you offer a qualified reseller to represent and sell your teleprinters as an authorized dealer/distributor?

5a. Do you monitor your reseller's financial condition (critical items)?

If so, how?

5b. Do you monitor your reseller's sales activity/performance?

If so, how?

5c. If a reseller's sales performance is below contract quota, what action (positive or negative) do you usually take to rectify the situation?

5d. Have you terminated a reseller's contract?

If so, for what reasons?

PERFORMANCE

- 6.     What is the most important term or condition in your contract with the reseller to enable you increase the sales and profitability of your teleprinter line of terminals?
  
  
  
  
  
  
  
  
  
  
- 7.     What is the greatest concern by resellers in representing and selling your teleprinter terminals and keyboard printers?

SALES

- 8a.    What percentage of these are R.O. (receive only) units?

	<u>1979</u>	<u>1980</u>	<u>1981</u>
% R.O.			

- 8b.    What is the largest number of teleprinters that you have sold to any one reseller in any one year?

8c. What is the average number of teleprinters ordered by a typical reseller per month/quarter?

9. How does your company direct sales force interface with resellers in the marketplace?  
(Double commissions, sales support, etc.)

**MARGINS AND DISCOUNTS**

10a. What volume discounts do you give your resellers?

VOLUME BREAKPOINTS

% DISCOUNT

_____
_____
_____
_____
_____

_____
_____
_____
_____
_____

10b. Are these prices and terms similarly available to all your resellers and/or distributors?

10c. Are these discounts in addition to basic discounts?

( ) YES      ( ) NO

10d. What is the basic discount separate from any discount schedule?

10e. What additional or different terms and conditions, if any, do you offer your user customers?

10f. Do you offer a different discount (volume/price) schedule? If so, what is it?

10g. What are your parts discounts?

% DISCOUNT

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VOLUME BREAKPOINTS

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MAINTENANCE

11a. Who is responsible for equipment maintenance?

☐ Reseller

☐ On-site

☐ At shop

☐ Manufacturer

☐ On-site

☐ At depot

☐ At factory

☐ Third party

11b. What are your terms?

MARKET PLANNING

12a. In what major industries will teleprinters be used in the future?

12b. What additional teleprinter features will be needed to satisfy these industry demands?

APPENDIX B: RESELLER SURVEY  
QUESTIONNAIRE



## RESELLER SURVEY QUESTIONNAIRE

ORGANIZATION

1. How many sales offices and distribution warehouses do you have in North America?

Number Of Sales Offices

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Number Of Warehouses

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PRODUCT

2. What name brand teleprinters and keyboard printers do you sell, lease or rent? (Include all ASR, KSR; keyboard and R.O. units.)

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- 3a. What percentage of your teleprinters and keyboard printers are:

<hr/>	% Purchased
<hr/>	% Leased/rented
<hr/>	% Leased/rented with purchase option

3b. What percentage of your R.O. (receive only) teleprinters are purchased versus leased?

\_\_\_\_\_ % Purchased

\_\_\_\_\_ % Leased

3c. How are the majority of your customers contracting to use teleprinters and keyboard printers today?

3d. Has this changed within the past six (6) months and in what way?

( ) YES      ( ) NO

4. What type of services do you provide your customers?

( ) Equipment installation.

( ) Education and training.

( ) Equipment maintenance.

( ) Other. (Specify) \_\_\_\_\_

### PURCHASING

5a. Why do you (or do you not) represent more than one (1) manufacturer/supplier of teleprinters and keyboard printers?

5b. What are the requirements for being an authorized distributor or dealer?

Authorized Distributor

Authorized Dealer

6. What is the average number of teleprinter and keyboard printers currently ordered from your major suppliers each month, quarter or year?

<u>SUPPLIER</u>	<u>MODEL</u>	<u>NUMBER OF UNITS CURRENTLY ORDERED/MO./QTR./YR.</u>

SUPPLIER CONTRACT TERMS AND CONDITIONS

7. Which are the most frequently provided or required contract terms and conditions from your major teleprinter and keyboard printer suppliers?

	<u>YES</u>	<u>NO</u>
1. Shipment rescheduling penalties Penalty _____	( )	( )
2. Cancellation charges Penalty _____	( )	( )
3. Minimum shipment requirements # of units _____	( )	( )
4. Prompt performance bonus Terms _____	( )	( )
5. Delayed equipment warranty to end users # of days _____ When does it start? _____	( )	( )
6. Extended warranty to end user # of days _____ Who provides it? _____ When does it start? _____ How much does it cost? _____	( )	( )
7. Warranty period to reseller # of days _____ When does it start? _____	( )	( )
8. Insurance for equipment damage in transit Terms _____ Who pays for it? _____	( )	( )

8. On a scale of 1 to 10, how would you rate the following terms and conditions when deciding on which teleprinter supplier to represent?

Payment terms	_____
Cancellation charges	_____
Delivery and shipment flexibility	_____
Extended warranty	_____
Delayed warranty	_____
Co-op advertising/sales assistance	_____

- 9a. How does the manufacturer monitor your financial condition (critical items)?

- 9b. How does the manufacturer monitor your sales activity/performance?

- 9c. If your sales performance is below contract quota, what action (positive or negative) is usually taken by the manufacturer?

### MARGINS AND DISCOUNTS

- 10a. What are the range of basic discounts which you get from your suppliers of teleprinters/-keyboard printers?

_____
_____
_____

10b. What are the most commonly given basic discounts?

10c. What volume discounts do you get from your major teleprinter suppliers?

VOLUME BREAKPOINTS

% DISCOUNT

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10d. Are these discounts in addition to basic discounts?

( ) YES      ( ) NO

10e. What are your parts discounts?

VOLUME BREAKPOINTS

% DISCOUNT

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MAINTENANCE

11a. Who is responsible for equipment maintenance?

- ( ) Reseller
  - ( ) On-site
  - ( ) At shop
  
- ( ) Manufacturer
  - ( ) On-site
  - ( ) At depot
  - ( ) At factory
  
- ( ) Third party

11b. What are their terms?

SALES

12a. What is the total number of teleprinters and keyboard printers sold, leased or rented to all your customers in 1979, and projected for 1980 and 1981?

	<u>1979</u>	<u>1980</u>	<u>1981</u>
TOTAL			

12b. What percentage of these are R.O. (receive only) units?

	<u>1979</u>	<u>1980</u>	<u>1981</u>
TOTAL			

- 12c. What is the largest number of teleprinters that you have sold to any one customer in any one year?
- 12d. What is the average number of teleprinters sold to a typical customer in 1979?
- 13a. What is the average number of teleprinters which you keep in your inventory each month?
- 13b. What range of discounts do you give to end users and at what volume of teleprinter orders?
- 13c. What percentage of your customers get a discount?

APPLICATIONS

14a. What percentage of all your teleprinters and keyboard printers are sold/leased to:

	<u>SOLD/LEASED</u>
Main frame end users	_____%
Mini computer end users	_____%
Micro computer end users	_____%
Time sharing end users	_____%
Telecommunication end users	_____%
Other end users	_____%
_____	_____%
_____	_____%
TOTAL	100%

14b. Of the total number in each of the above categories what percentage is sold what percentage is leased? (The total of both columns should equal 100%)

	<u>SOLD</u>	<u>LEASED</u>	
Main frame end users	_____%	_____%	100%
Mini computer end users	_____%	_____%	100%
Micro computer end users	_____%	_____%	100%
Time sharing end users	_____%	_____%	100%
Telecommunication end users	_____%	_____%	100%
Other end users	_____%	_____%	100%
_____	_____%	_____%	100%
_____	_____%	_____%	100%

DECISION MAKING

- 15a. As a reseller, what is the most important overall factor in your decision to represent and sell a particular brand name teleprinter or keyboard printer supplier?

Why?



